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**OFFICE OF AIDS  
AIDS Drug Assistance Program (ADAP)**

**Management Memorandum  
Memorandum Number: 2005-07**

Date: October 6, 2005

TO: ADAP COORDINATORS, ENROLLMENT WORKERS, AND  
SERVICE PROVIDERS

SUBJECT: IMPLICATIONS OF MEDICARE PART D FOR PERSONS LIVING WITH  
HIV/AIDS IN CALIFORNIA

As many of you are aware, a major change to the health care system will take place on January 1, 2006, when the Medicare Program introduces a new outpatient prescription drug benefit, Medicare Part D. Considering that several thousand Medicare eligible Californians are living with HIV/AIDS, it is critical that this population and their care providers understand the significant implications that Part D will have on the health care system.

The Office of AIDS (OA) will host a series of Medicare Part D trainings designed to provide practical information to help AIDS Service Providers in their role of assisting clients with Part D-related issues. While we expect that these trainings will provide important information to assist clients, we recognize that many clients are in need of immediate information. To address this need, we have enclosed a list of the major Part D resources currently available. Additionally, the following is a brief overview of how California's ADAP plans to assist clients in filling some of the gaps in their Part D coverage.

- **Part D Deductibles, Co-Payments, and Co-Insurance:**  
Federal and State payer of last resort requirements mandate that Medicare-eligible beneficiaries utilize their Part D coverage before being permitted to access ADAP coverage. California's ADAP will then assist in filling gaps in Part D coverage by paying towards certain beneficiary out-of-pocket costs. Specifically, ADAP will pay

the costs associated with Part D deductibles, co-insurance, and co-payments for medications on the ADAP formulary.

- **Part D Premiums:**

ADAP will not cover the cost of a Medicare beneficiary's monthly Part D premium. Medicare beneficiaries with income over 135 percent Federal Poverty Level (FPL) (\$12,920 for a single person) and/or assets over \$10,000 per individual/\$20,000 per couple, may have a Part D monthly premium. In California in 2006, Part D premiums are expected to cost an average of \$25.41 per month; it is possible that some plans may offer "zero premium" options to beneficiaries. Also, persons/couples with income between 135-150 percent FPL and assets under \$10,000/\$20,000 who apply for a Part D subsidy will pay reduced premiums based on a sliding scale.

- **Part D True-Out-Of-Pocket (TrOOP) "Donut Hole" Drug Costs:**

Because the Centers for Medicare and Medicaid Services has specifically excluded ADAP payments as counting toward beneficiaries' Part D TrOOP drug costs, any payment made by ADAP on a beneficiary's behalf will not be credited as TrOOP, and the ADAP covered cost of the drug will not move the client into an enhanced level of Part D coverage (catastrophic coverage). Because ADAP payments will not count towards TrOOP, it is anticipated that some beneficiaries will need to utilize full ADAP coverage once they encounter the gap in Part D coverage where the beneficiary assumes 100 percent of their drug costs (also referred to as "the donut hole"). In other words, once the client hits their "donut hole," they will be permitted to utilize full ADAP coverage.

- **ADAP and Medi-Cal Share-of-Cost (SOC):**

California's ADAP has historically been able to cover the cost of formulary drugs in the amount of a Medi-Cal beneficiary's SOC. This system provided significant benefits to persons with HIV/AIDS by ensuring that Medi-Cal beneficiaries were able to access their HIV medications at little or no cost, and by providing the individual the ability to access the remainder of their Medi-Cal health care services at no cost. In January 2006, the system of using ADAP to meet a Medicare beneficiary's Medi-Cal SOC will change dramatically. As of January 1, 2006, persons dually eligible for Medicare and Medi-Cal, will no longer receive drug coverage under Medi-Cal. These "dual eligibles," as they are called, will access drug coverage under Medicare Part D, which means that there will be no Medi-Cal associated prescription drug cost to allow ADAP's payment toward the SOC. Thus, dual eligibles will be required to pay their SOC before Medi-Cal will cover the cost of medical services each month. They will, however, be permitted to use ADAP to cover their Medicare Part D co-payments, thus, mitigating significant out-of-pocket costs associated with medication.

As you begin to assist your clients in understanding the implications of these changes, it is important to note that the Medi-Cal SOC expenses that dual eligible clients will be required to pay are expected to be lower than those ADAP has been covering. This is primarily because prescription drug coverage will no longer be a Medi-Cal benefit, and Medicare is the primary payer for dual eligibles, so the overall services billed to Medi-Cal will likely be reduced. Because the Medi-Cal coverage will become the secondary payer, beneficiaries will only be charged their Medi-Cal SOC when Medicare does not cover the full cost of a service. For example, a dual eligible client may use Medi-Cal to cover 20 percent of the cost of a doctor's visit, rather than for monthly prescriptions.

Also, it is important to note that the above change only applies to dual eligible beneficiaries. ADAP can continue to cover Medi-Cal SOC for clients who are not eligible for Medicare.

As you can see, Medicare Part D is a complicated benefit that will have significant implications for Medicare beneficiaries. OA has been working with HIV advocates and service providers to develop guidelines and procedures that will accommodate clients as they transition to Medicare Part D. Our goal will be to explain the details of these policies with you at our regional trainings.

Training dates and registration information are included on the enclosed flyer. Please share this training information with other AIDS Service Providers in your area. Because space may be limited, priority registration will be granted to certified ADAP Enrollment Workers.

We look forward to working with you to address the unique challenges that Medicare Part D will bring.

A handwritten signature in black ink, appearing to read 'Kathleen Russell', with a stylized, cursive script.

Kathleen Russell, Chief  
AIDS Drug Assistance Program Section  
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Enclosure

cc: See Next Page

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